



Office Q4 2022

YoY
Chg

12-Mo.
Forecast

RM 5.96

Average Asking Rent (MYR/sf/mo)

**-0.95%**

Rental Growth (YoY)

**30.16%**

Vacancy Rate



Source: IVPS / Cushman & Wakefield Research

MALAYSIA ECONOMIC INDICATORS Q3 2022

YoY
Chg

12-Mo.
Forecast

14.2%

GDP Growth

**4%**

CPI Growth

**3.7%**

Unemployment Rate



Source: Department of Statistics Malaysia

Malaysia's Strong GDP Growth Forecasted to Lose Steam by 2023

Domestic demand strengthened further evidenced in the higher growth of 14.2% as compared to 8.9% in the previous quarter, supported by a steady improvement in labour market conditions and ongoing policy support. Overall, the economy posted a growth of 9.3% for the first three quarters of 2022. Services sector being the main impetus (Q3 2022: 16.7%) and Manufacturing sector (Q3 2022: 13.2%). However, going into 2023, it is forecasted that economic growth in the Asia Pacific (APAC) region including Malaysia would likely slowing down due to challenging global backdrop e.g., rapid pace of interest rate hikes, inflation etc. resulting in slumping of the imports and exports of goods and services. Being optimistic, Malaysia domestic economy will continue stimulate growth in view that the government act immediately to implement short-term and long-term economy measures.

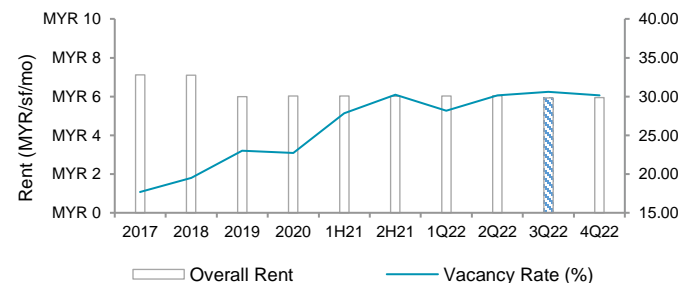
Headwinds in Macroeconomic Raised Concerns

The market witnessed a slightly decrease in overall vacancy rate in Greater KL this quarter to 30.16% from 30.61% in the previous quarter due to delayed in target completion of the upcoming large supply office buildings. However, entering 2023, the upcoming completion will pushed the overall vacancy rate in KL CBD and fringe to increase in a range of 2 to 3%. Thus far this year, technology firms have been among the main drivers of leasing demand. With global technology firms recently laying off large numbers of employees and announcing a hiring freeze, demand from this sector is expected to slow in the coming quarters. While flight-to-quality relocation still most popular strategy, occupiers are set to remain cost cautious as economic worries mount. Concurrently, some landlords are expected to hold their plans of repurposing or refurbishing current building due to concerns on slower economic growth, rising inflation, and concerns about a possible recession in 2023 which could all weigh on leasing demand in the coming months.

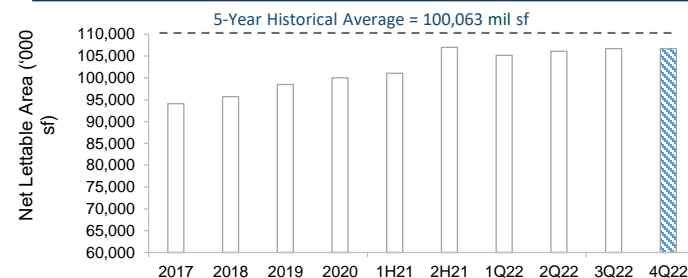
Rental Rates in All Submarket Sets to Recover in Slow Pace

The average asking rent as at Q4 2022 increase slightly to RM5.96 per sf per month but still representing a negative 0.95% y-o-y after a huge decrease in the previous quarter due to rising in operation cost. Most landlords have increased the asking rental as a result of a continued decentralization trend and more office space requirements are coming for office buildings that have been certified by Malaysian Green Technology Corporation to be utilizing green technology. Moreover, the delayed in target completion of the upcoming large supply office buildings within Greater KL from end-2022 to early until mid-2023 also play a part in influencing landlord to increase their asking rent to cater for current continuous demand. It is also notable that the relocation trend from ageing buildings to newer buildings is still on-going but slowing down due to competitive offerings from landlords and companies turn more cautious with either relocation or expansion entering 2023.

ALL GRADE CBD OVERALL RENT & VACANCY RATE



ALL GRADE CBD SUPPLY PIPELINE





Office Q4 2022

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	VACANCY RATE	PLANNED & UNDER CONSTRUCTION (SF)	GRADE A AVERAGE FACE RENT		
				MYR/SF/MO	US/SF/MO	EUR/SF/MO
KL CBD	58.83 million	28.60%	15.24 million	MYR 6.72	US\$1.52	€ 1.44
KL Fringe	47.85 million	34.10%	3.37 million	MYR 6.33	US\$1.43	€ 1.35
Decentralized Area	34.10 million	27.77%	1.39 million	MYR 4.84	US\$1.09	€ 1.03
TOTAL	140.78 million	30.16%	20 million	MYR 5.96	US\$1.35	€ 1.27

- a) Cumulative space for all sub-markets are based on total supply of office space (all grades)
 b) Office Space within KL Sentral/Pantai/Bangsar and those within Damansara Heights are taken into consideration as KL Fringe
 c) Office Space within Petaling Jaya territory, Damansara, Kelana Jaya, Sunway/Subang Jaya/USJ and Shah Alam are taken into consideration as Decentralised Area

Source: National Property Information Centre (NAPIC) & IVPS / Cushman & Wakefield Research

PROPERTY	SUBMARKET	(NLA) SF	COMPLETION DATE
Affin Bank Tower @ TRX	KL CBD	823,439	2022
Menara 1194	KL CBD	169,250	2022
Mercu Aspire @ KL Eco City	KL Fringe	650,000	2023
Menara RAC Sentral	KL Fringe	162,094	2023
Sunway V2 Tower	KL Fringe	362,400	2023
Merdeka 118	KL CBD	1,700,000	2023
Pavilion Damansara Corporate Tower	KL Fringe	1,500,000	2023
Sunway CP2 Office Tower	Decentralised	553,629	2023
Sunsuria Forum Corporate Office	Decentralised	317,720	2023
Felcra Tower	KL CBD	760,000	2023

INVESTMENT TREND/ OFFICE DEVELOPMENT ACTIVITIES

- Hap Seng poised to emerge as the new owner of Menara Weld office building and The Weld Shopping Centre, reported in the process of finalizing the deal with unclear plans to renovate or repurpose or retain the building.
- BCorp has signed a preliminary non-binding term sheet with Indonesia's MNC Group to explore e-money business in Malaysia to leverage its strength on developing and expanding e-money related services between Indonesia and Malaysia.
- Environmental, Social, and Governance (ESG) adoption has become crucial to public-listed companies in securing capital as more investors are incorporating ESG considerations in investment decisions and adopting sustainability criteria in their investment portfolios.

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Industrial Property
(All Types)

46.15%

Transactions from Terraced Factory / Warehouse

12-Mo.
Forecast

-2.72%

Sales Growth (Value y.o.y)

87.39%

Sales Growth (Volume y.o.y)

Source: Cushman & Wakefield / IVPS Research

MALAYSIA ECONOMIC INDICATORS
Q3 2022

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3.7%

Unemployment Rate

Source: Department of Statistics Malaysia

Industrial Production to Ease in Year 2023

Industrial market in Greater Kuala Lumpur and Malaysia as a whole is seen moderate movement in the fourth quarter (Q4 2022) and there will be more notable slowdown in the first half of 2023. This is widely being affected due to the decline in economic activity globally and the impact of tightening financial conditions that puts expansions in vulnerable regions at risk and deepening anticipated recessions globally. However, the conditions can be weigh on the country's trade and manufacturing performance in early 2023. Nevertheless, there is no weakening of labour market conditions as yet. A more dimmed manufacturing sector to be foresee next year.

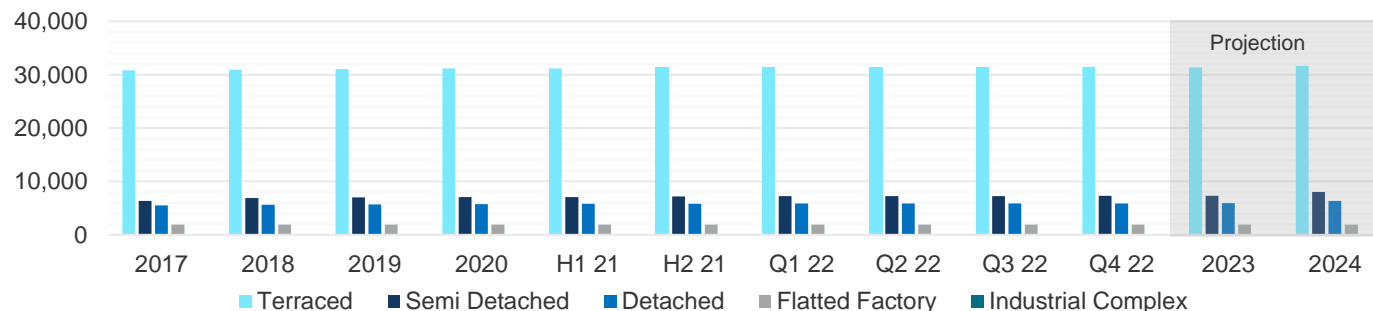
Rising of Global Demand and Use of Renewable Energy

It is anticipated that there will be greater demand for vital E&E components where more individuals become environmentally conscious and inclined to purchase newer power-saving appliances, replacing legacy appliances that lack power-saving or modern features. On a side note, as vehicle production levels recover from the pandemic slowdown, the automotive industry will also drive up demand for semiconductors. This is boosted further by rising demand and the development of new environmentally friendly vehicles, which require far more semiconductors due to having more features that necessitate more processing power. Consequently, industrial leasing activity is forecasted to remain its recovery journey with continuous demand for warehouse and factory space from this sector.

Prices and Rentals Still Remain Stable

The detached factories and warehouses in Petaling Jaya still continues to dominate with highest rental rates, ranging from RM 2.50 per sq.ft – RM4.20 per sq.ft per month. While, the rental rates for District of Shah Alam and District of Klang remained within the range of RM1.30 – RM 3.50 per sq.ft per month. Moving into the next quarter the 1st quarter of 2023, the rental rates are expected to remain stable. However, the asking prices of vacant industrial freehold land in selected localities of Greater Kuala Lumpur generally range from RM80 per sq.ft to RM400 per sq.ft which thoroughly depends on the location, accessibility, land areas, tenure and level of infrastructures that is built in within the property. While, the asking prices of vacant leasehold land are within the range of RM80 per sq.ft to RM160 per sq.ft.

INDUSTRIAL SUPPLY PIPELINE (GREATER KL)



Industrial Q4 2022

MARKET STATISTICS

SUBMARKET OF GREATER KL	INDUSTRIAL AREA	INVENTORY (UNIT)	PLANNED & UNDER CONSTRUCTION (UNIT)	FACE RENT PSF (RANGE FOR ALL TYPES)		
				MYR/SF/MO	US/SF/MO	EUR/SF/MO
Central Region	W.P. Kuala Lumpur, Gombak, Petaling	24,353	691	MYR 2.50 - MYR 4.20	\$0.56 - \$0.94	€0.53 - €0.89
Northern Region	Kuala Selangor, Hulu Selangor, Sabak Bernam	4,689	813	MYR 0.80 – MYR2.00	\$0.18 - \$0.45	€0.17 - €0.42
Southern Region	Kuala Langat, Sepang	1,569	451	MYR 1.30 – MYR2.50	\$0.29 - \$0.56	€0.27 - €0.53
Western Region	Klang	8,760	1,246	MYR 1.30 – MYR 2.20	\$0.29 - \$0.49	€0.27 - €0.46
Eastern Region	Hulu Langat, Shah Alam	7,391	24	MYR 1.80 - MYR 3.50	\$0.40 - \$0.79	€0.38 - €0.74
TOTAL		46,762	3,225	MYR 0.80 - MYR 4.20	\$0.18 - \$0.94	€0.17 - €0.89

a) Cumulative supply for all sub-markets are based on total supply of industrial space (all types).

Source: National Property Information Centre & IVPS / Cushman & Wakefield Research

KEY SALES TRANSACTIONS AS AT Q4 2022

- YSP Southeast Asia Holdings Bhd (YSPSAH) is buying a property in Bandar Baru Bangi, Selangor which will be used as expansion for food and health supplement productions for RM31 million.
- SKB Shutters Corp Sdn Bhd enters into land acquisition of 9.81 acres; purchased for RM36 mil for the development of a new manufacturing facility in Eco Business Park V (EBP V).

INVESTMENT TREND / INDUSTRIAL DEVELOPMENT ACTIVITIES

- 20 Apple suppliers are now located in Malaysia gives an important role in the supply chain, compared to 18 in Thailand, 16 in Philippines, 11 in India and 2 in Indonesia in response to China's covid response that caused production delays.
- YSP inked an agreement with Onkyo Electronics, a manufacturer of consumer electronic audio and video equipment for a property in Bandar Baru Bangi, Selangor to expand the group's production of food and health supplements.
- The technology sector is expected to decline entering 2023, owing primarily to weakness in the consumer-centric end market, namely PC and smartphone but Malaysia remains a key player in the global supply chain as 7% of total global semiconductor trade flows through Malaysia and commands 13% of global chip testing and packaging market share.
- GDP has secured a RM247 million design-and-build contract to construct a logistic hub in Bandar Bukit Raja 2 Industrial Park in Klang.
- EPF is investing in the development of a 100% pre leased logistics hub in Bukit Raja, Klang and entered into a shareholders agreement with ALP for the logistics hub.

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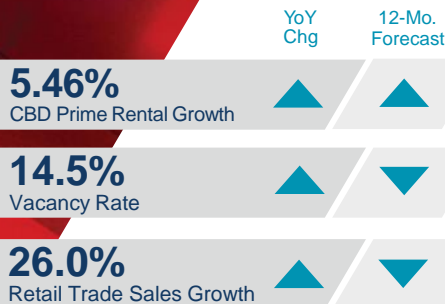
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KUALA LUMPUR

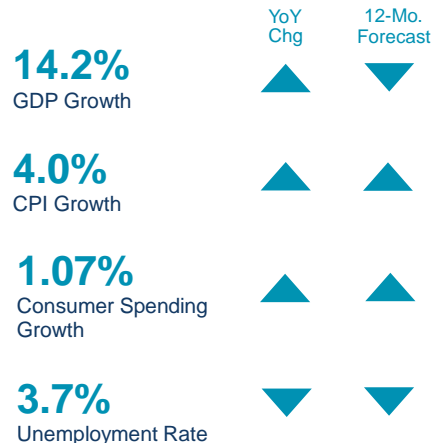
Retail Q4 2022

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Source: IVPS / Cushman & Wakefield Research

MALAYSIA ECONOMIC INDICATORS Q3 2022



Source: Department of Statistics Malaysia

Global Recession May Affect Malaysia's Economy Despite Strong GDP Growth

Malaysia's economy recorded 14.2% GDP growth in Q3 2022, exceeded the majority forecasts by analysts which ranged between 10.0% and 13.6%. The growth was attributed to higher consumer-related activities amid a recovery in tourism, better labour market conditions and policy support. Public consumption rose 4.5% compared to 2.6% (Q2 2022) owed to higher supplies and services spending. On another hand, CPI has slightly increased to 4.0% from 2.9% in the same month of the preceding year while Sales of Retail Trade shrunken to 26.0% y-o-y. Non-Specialized Stores (25.7%), Other Goods in Specialised Stores (40.9%) and Other Household Equipment (19.1%), remarked a slowest expansion in retail activity since April. Meanwhile, wholesale trade rose to 7.3% this quarter. On a monthly basis, retail trade increased by 1.1%. Optimistically, Malaysia's broad and diversified domestic economy will help to prop up and mitigate the impact of weaker exports activity as well as facing a less impact from global recession.

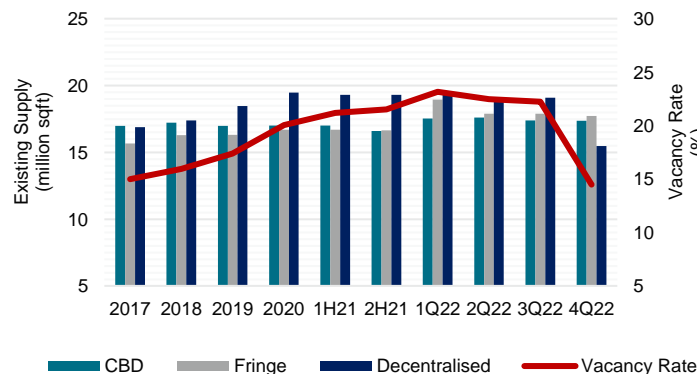
Less Promising of 2023 Retail Outlook

Political and economic uncertainties, continuous rise in the OPR and looming threat of global recession are the leading reasons of the less promising outlook in retail market entering 2023. This is detrimental to our efforts to build a strong retail sector that serves as one of the pillars of our economy, as well as to growth and recovery. Increasing in cost of living and interest rate while decreasing in disposable income may affect the purchasing power to decline especially post-CNY. However, many retailers are now offering buy now, pay later option for Malaysian consumers allowing them to continue generate sales. Looking forward to recession, consumers are expected to shift their focus in buying basic necessities such as food and household items rather than high-value goods. Nevertheless, the super-rich consumers expected to continue to shop luxury goods during a recession because their purchasing power is not as severely impacted.

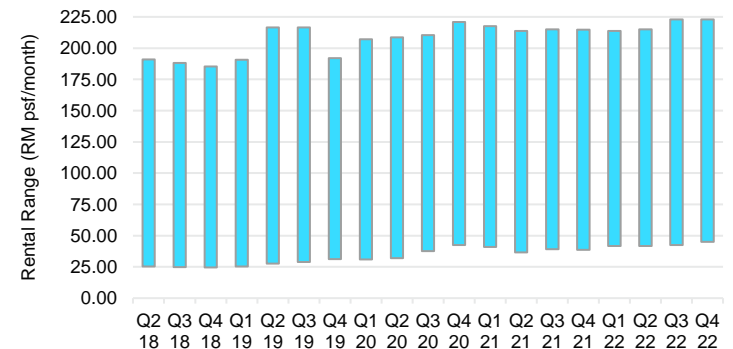
Decreasing in Vacancy Rate Drives a Steady Increase of Asking Rents

There is few notable large supply opening its door by 2023 i.e., 118 Mall (1.56 million sf), Pavilion Damansara Height Mall Phase 1 (1.1 million sf), 8 Conlay Retail Component (120,000 sf) and The Exchange TRX Mall (1.3 million sf). This large incoming supply is expected to drive the overall average vacancy rate to increase by next quarter in range of 2% to 3%. Meanwhile, the overall average vacancy rate continued to decline to 21.23% in Q4 2022 compared to previous quarter. On a side note, CBD submarket prime rent slightly increased for Q4 2022 in the range of RM45.00 to RM223.00 per sf per month, representing an increase of 5.46% y-o-y. It is forecasted that the large incoming supply will strike a pressure on rental reversion and occupancy rates despite a steady growth in footfall and pent-up demands from consumers.

Greater KL Existing Supply and Vacancy Rate



CBD Prime Rental Range



KUALA LUMPUR

Retail Q4 2022

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MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	VACANCY RATE	PLANNED & UNDER CONSTRUCTION (SF)
KL CBD	17.36 million	19.0%	3.66 million
KL Fringe	17.74 million	24.6%	1.69 million
Decentralized Area	15.48 million	20.1%	2.50 million
TOTAL	50.58 million	21.23%	7.85 million

SIGNIFICANT NEW RETAIL PROJECTS

PROPERTY	SUBMARKET	(NLA) SF	TARGETED COMPLETION
KSL Esplanade Mall	Decentralised	650,000	2022
Mitsui Shopping Park Lalaport	KL CBD	845,000	2022
Lot 91 @ KLCC Retail Component	KL CBD	73,000	2022
IOI City Mall Putrajaya Phase 2	Decentralised	1,000,000	2022
Warisan Merdeka Mall @ 118 Mall	KL CBD	1,560,767	2023
Pavillion Lifestyle Mall @ Damansara Heights	KL Fringe	1,100,000	2023
8 Conlay Retail Component	KL CBD	120,000	2023
The Exchange Mall	KL CBD	1,300,000	2023

INVESTMENT TREND / RETAIL DEVELOPMENT ACTIVITIES

- Eslite Spectrum, a Taiwanese mega bookshop chain, has opened its first South-east Asian store at The Starhill premium shopping mall in Kuala Lumpur spanning over 6,500 sqm offering a diverse selection of books in English, Chinese, Malay, Japanese, and other languages.
- Through its Islamic-based crowdfunding platform, social fintech startup uPledge designed its product with retail investors in mind, aims to use Greater KL as a hub to expand opportunities for impact startups.
- The first BYD showroom will be opened this month in TREC KL along Jalan Tun Razak in Kuala Lumpur, with three more to be opened each in Ara Damansara, Penang and Johor in the first half of 2023.
- Tealive, a Malaysian tea brand, has opened its first store in Ottawa, Canada, and plans to open 50 more across the country in the next 5 years.
- Pavilion Real Estate Investment Trust (Pavilion REIT) has finally inked an agreement to purchase Pavilion Bukit Jalil mall (PBJ mall) from Malton Bhd for RM2.2 billion.
- Burger & Lobster, based in London, launched its second location in Suria KLCC, Kuala Lumpur, 5 years after its initial location in Genting Highlands, Pahang spanning over 4,499 sf as the brand's first location in collaboration with Aquablu Technologies.
- Chic international premium grocer, The Food Merchant, opened its second outlet in Pavilion Embassy taking up the ground floor of the residences and corporate offices and houses 250 international brands.

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